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MEDICARE ~ A Riddle, Wrapped in a Mystery, Inside an Enigma!

According to the Merriam-Webster dictionary, one of the meanings of the term “**black box**” is “*anything that has mysterious or unknown internal functions or mechanisms.*” Other sources define the phrase in terms of inputs and outputs, without any knowledge or understanding of the system’s internal workings. Inasmuch as Medicare, the federal insurance program mostly for the aged, is both complicated and confusing, and the inner workings are even more opaque, whether one chooses to borrow the above description from Sir Winston Churchill or use a scientific term, both expressions appropriately describe the enigmatic health care system relied upon by 56 million Americans known as Medicare.

Although this brief article can’t possibly fully clarify the many complex facets of Medicare, I hope it will give the reader a better understanding of the basic components of Medicare and how it overlays with the Medicare Supplement (*i.e.*, Medigap) insurance policies offered by WMI. Much of the information I have presented in this article comes from the 2016 publication by the Centers for Medicare & Medicaid Services (CMS) entitled *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*. If you would like a free copy of this publication, please contact our office (*see contact information on back*).

What is Medicare?

Medicare is health insurance for:

- (a) people age 65 or older;
- (b) people under age 65 with certain disabilities; and
- (c) people of any age with end-stage renal disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant).

What are the Various Components of Medicare?

PART A (Hospital Insurance)

– This part of Medicare helps cover inpatient hospital care, skilled nursing facilities, hospice and home health care. When Medicare PART A is coupled with Medicare PART B, the resultant coverage is known as “Original Medicare” [as opposed to *Medicare Advantage* (PART C) plans].

PART B (Medical Insurance)

– This part of Medicare helps cover services from doctors and other health care providers, hospital outpatient care, durable medical equipment, and home health care. It also covers many preventive services, screenings and immunizations. It does not, however, include coverage for prescription drugs (*see*, PART D below).

PART C (Medicare Advantage)

– This part of Medicare is a substitute for Original Medicare that is run by private insurance companies rather than the government. It includes all benefits and services covered under PART A and PART B, and it usually includes coverage for prescription drugs (PART D). *Medicare Advantage* plans often include other benefits and services at no additional cost (*e.g.*, fitness center access, dental care, eye-glasses and wellness programs). Generally, *Medicare Advantage* participants must accept more restrictive provider access in return for the additional benefits.

PART D (Prescription Drug Coverage)

– This part of Medicare is run by Medicare-approved private insurance companies, and it helps cover the cost of outpatient prescription drugs. Most Medicare PART D plans provide generous coverage initially, and virtually full catastrophic coverage, but provide that the insured pick up the costs in between. This coverage gap is known as the “donut hole.” In 2016, the donut hole kicks in once the enrollee’s total costs for covered drugs reaches \$3,310, and it ends when the enrollee’s true out-of-pocket drugs costs reach \$4,850. During the time in which the PART D enrollee is in the donut hole, he or she is entitled to a discount of 55% on brand drugs and 42% on generic drugs.

What’s the Difference Between Medicare and Medicaid?

Medicare is an insurance program that is run by the federal government. It provides health insurance coverage for the people who are at least age 65, and for certain disabled individuals who are younger than 65. In contrast, **Medicaid is an insurance program that is run jointly by the federal government and various state governments.** Medicaid provides long-term medical and custodial care coverage to low-income individuals and families.

What are Medicare Supplement (aka Medigap) Insurance Policies?

Medigap policies are health insurance policies that are sold by a private insurance company to supplement, or fill in the gaps of, Original Medicare coverage. Medigap policies can help pay the enrollee’s share of the costs of Medicare-covered services (e.g., coinsurance, copayments, or deductibles). In order to purchase a Medigap plan, the applicant must be enrolled in Medicare PART A and PART B. Insurance companies are

prohibited from selling a Medigap plan to an individual who is on a *Medicare Advantage* plan (unless that individual is dropping the Advantage plan).

Although the Medigap naming conventions are similar to the names of the various Medicare parts, the standardized Medigap plans and their alpha names (Plans A-N) are entirely distinct and should not be confused. The most basic Medigap plan (Plan A) covers the Medicare PART A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used). It also covers Medicare PART B coinsurance or copayment costs, the first three pints of blood (don’t ask me why), and the PART A hospice care coinsurance or copayment costs. The other Medigap plans all cover these same benefits (most at 100%), but add varying levels of coverage for other things like skilled nursing facility care coinsurance, PART A deductible, PART B deductible, PART B excess charges, and foreign travel emergency.

Federal law requires that all Medigap plans must be standardized. Since there is no difference in the benefits of the Medigap plans sold by various insurance companies, most people shop for a Medigap plan based on service and price (which can vary widely). At WMI, we’re proud of our Medigap rates, and even more proud of the exceptional and personalized customer service we provide our insureds. We offer several Medigap plans, and I invite you to visit our website at www.wmimutual.com/medigap to see just how affordable our plans are.

What Medigap Policies Does WMI Offer?

In Utah and Nevada, WMI offers the following Medigap policies: Plan A, Plan C, Plan F (low deductible), and Plan G. In Arizona, Idaho, Montana and New Mexico, we offer Plan A, Plan C, and Plan F (low deductible).

How Can I Learn More About Medicare and Medigap Insurance Policies?

If you have questions about Medicare and Medigap policies, I would invite you to contact me at davidleo@wmimutual.com. You can also contact our office for your free copy of the referenced CMS publication or visit our website at www.wmimutual.com/medigap. Of course, the ultimate authority on all things Medicare is the federal government, and you can find all sorts of helpful information at the Centers for Medicare & Medicaid Services website at www.cms.gov. Finally, if you’re looking for a Medicare PART D prescription drug plan, you can take advantage of the helpful and user-friendly Medicare plan finder at <https://www.medicare.gov/part-d/index.html>.

If you have questions about this article or would like to discuss your company’s health insurance program, feel free to contact me at **(801) 263-8000** or davidleo@wmimutual.com.